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Investment Committee Perspective

First Quarter 2022

Our Investment Committee meets no less than quarterly to evaluate asset class performance, analyze macroeconomic data and trends, and review asset class valuations and risks to refine our market outlook and tactical portfolio positioning. This quarterly letter summarizes the topics discussed during those investment committee meetings and provides guidance on our outlook and corresponding tactical investment strategy.

Reflections on the First Quarter 2022

After peaking in the first week of the new year, financial markets retreated into correction territory, a decline of greater than 10%, during January and February. While March brought some recovery off the market lows, stocks experienced their largest quarterly loss in more than two years with global stocks declining -5.4%. Fixed Income markets, normally the "safe" bucket of an investment portfolio, fared even worse declining -6.2% due to rapidly rising interest rates. Despite the continued post-pandemic economic recovery, markets had plenty to worry about starting with the highest levels of inflation in 40 years, climbing interest rates, conflict in Eastern Europe, and a spike in COVID-19 cases in China.

As the world moves to the endemic stage of the COVID-19 pandemic, the nation is gripped with levels of inflation not seen since the late 1970s. Unfortunately, the "medicine"- fiscal and monetary stimulus - delivered to help ease the economic pressures associated with the pandemic have left some unwanted and lasting side effects. The rapid rise in inflation experienced over the course of the past year is the result of too many dollars chasing too few goods. This is compounded by the ongoing problems in the global supply chain also brought on by the pandemic. The path forward is murky and the cure for inflation may very well be an economic recession orchestrated by the Federal Reserve, intended or not.

The Federal Reserve finds itself in a precarious position as it tries to stem rising inflation without running the economic recovery off the rails. The Fed has been telegraphing its intention to raise interest rates for many months and the initial March 2022 interest rate hike was taken in stride by the broader markets. However, that was just one interest rate increase in what is widely expected to be a series of successive interest rate increases through 2022 and into 2023.

Geopolitical events in Eastern Europe have added a new degree of uncertainty to the global outlook and have contributed to the recent market volatility. Bad actors around the globe, sensing weakness or perhaps themselves feeling threatened, have seized upon the opportunity to pursue their political objectives whilst the developed nations of the world work to jumpstart their economic engines. While the United States and Western Europe seem unlikely to put servicemen and women's lives at risk, a fair amount of saber-rattling has failed to halt the advances of a Russia angered by NATO advances made toward Ukraine. As Sweden and Finland contemplate NATO membership, it is likely to further embolden Russian discord and prolong a near-term solution.

Our investment committee focuses on monitoring intermediate and long-term secular trends that we believe have a meaningful impact on our economic and financial market outlook. Specifically, there are a few core secular themes we've addressed in our recent quarterly letters that are as relevant today, if not more so, than when we wrote on them: *interest rates* (First Quarter 2021 letter), *U.S. growth stock valuations* (Second Quarter 2021 letter), *inflation* (Third Quarter 2021 letter), and the *U.S. Federal Reserve* (Fourth Quarter 2021 letter).

Given these secular themes are playing out right in front of our eyes - the highest levels of inflation we've seen in 40 years and the Federal Reserve pivoting to aggressively remove accommodative support and raise interest rates materially in 2022 - this quarter we have chosen to delve into the investment implications of both. Below we share our research on which asset classes best protect portfolios during periods of high inflation and rising interest rates. These results support our tactical positioning in client portfolios. We also use this letter to introduce an asset class, **Private Debt**, that we intend to add to client portfolios in the coming quarters to offset the secular challenges we believe core Fixed Income will face in the coming decade.

Tactical Market & Economic Outlook

While the war in Ukraine is devastating from a humanitarian perspective, the two countries' contribution to global GDP is less than 2%. The conflict has however had a significant impact on the supply of global commodities. Disruptions in Russia, a major producer of oil, natural gas, and wheat, and Ukraine, the largest exporter of corn, wheat, and sunflower oil, are having a material impact on both global energy and worldwide food supplies, further stoking inflation and putting economic growth at risk. The impact overall greatly increases the risk of "stagflation" (i.e., high inflation and low growth) as it puts upward pressure on already high levels of inflation while also depressing growth due to the impact on real disposable income and discretionary spending.

While we don't know the ultimate path, timing, or outcome of the war, we are certain it will end. Looking at history, many of the geopolitical shocks experienced over the prior decades have been significant, scary, and unsettling but each ultimately came to an end. The table below (Exhibit 1) provides a list of major geopolitical events since World War II along with the initial U.S. stock market % decline, days to bottom and full recovery, and stock market return 3-, 6-, and 12-months later.

EXHIBIT 1: U.S. Stock Market Performance Surrounding Geopolitical Events

S&P 500 Performance after Major Geopolitical Events

			Calendar Days To		Returns			
Geopolitical Event	**Event Date**	**Total Drawdown**	**Bottom**	**Recovery**	**1 Month**	**3 Months**	**6 Months**	**12 Months**
Pearl Harbor Attack	12/7/1941	-19.8%	143	307	-1.0%	-11.0%	-6.5%	4.3%
N. Korean Invades S. Korea	6/25/1950	-12.9%	23	82	-10.0%	1.6%	4.1%	11.7%
Hungarian Uprising	10/23/1956	-0.8%	3	4	-2.1%	-2.8%	-1.3%	-11.7%
Suez Crisis	10/29/1956	-1.5%	3	4	-4.4%	-3.6%	0.0%	-11.6%
Cuban Missile Crisis	10/16/1962	-6.6%	8	18	5.1%	14.1%	20.7%	27.8%
Kennedy Assassination	11/22/1963	-2.8%	1	1	6.8%	11.9%	15.5%	23.2%
Gulf of Tonkin Incident	8/2/1964	-2.2%	25	41	-1.6%	1.9%	5.3%	2.7%
Six-Day War	6/5/1967	-1.5%	1	2	3.3%	5.9%	7.5%	13.5%
Tet Offensive	1/30/1968	-6.0%	36	65	-3.8%	5.1%	5.2%	10.2%
Munich Olympics	9/5/1972	-4.3%	42	57	-1.0%	5.7%	2.3%	-5.8%
Yorn Kippur War	10/6/1973	-0.6%	5	6	-3.9%	-10.7%	-15.3%	-43.2%
Reagan Shooting	3/30/1981	-0.3%	1	2	-0.9%	-1.8%	-14.0%	-16.4%
Iraq's Invasion of Kuwait	8/2/1990	-16.9%	71	189	-8.2%	-13.5%	-2.1%	10.1%
U.S. Terrorist Attacks	9/11/2001	-11.6%	11	31	-0.2%	2.5%	6.7%	-18.4%
Madrid Bombing	3/11/2004	-2.9%	14	20	3.5%	2.7%	1.5%	8.4%
London Subway Bombing	7/5/2005	0.0%	1	4	3.3%	1.8%	5.3%	5.5%
Boston Marathon Bombing	4/15/2013	-3.0%	4	15	6.3%	8.4%	9.7%	17.9%
Bombing of Syria	4/7/2017	-1.2%	7	18	1.8%	3.1%	7.6%	12.8%
North Korea Missile Crisis	7/28/2017	-1.5%	14	36	-1.1%	3.6%	14.8%	13.4%
Saudi Aramco Drone Strike	9/14/2019	-4.0%	19	41	-1.4%	5.4%	-8.8%	12.5%
Iranian General Killed In Airstrike	1/3/2020	-0.7%	1	5	1.9%	-23.1%	-4.2%	14.4%
U.S. Pulls Out of Afghanistan	8/30/2021	-7.7%	18	31	-3.7%	2.8%	8.6%	?
Russia Invades Ukraine	2/24/2022	-2.8%	9	14	5.4%	?	?	?
Average		**-4.9%**	**20**	**43**	**-0.3%**	**0.5%**	**2.8%**	**3.9%**
Median		**-2.8%**	**9**	**18**	**-1.0%**	**2.6%**	**4.7%**	**10.1%**

Note: The data for events prior to 2022 were published by LPL Research.
Source: LPL Research, S&P Dow Jones Indices, CFRA, Strategas, Causey Demgen & Moore P.C.

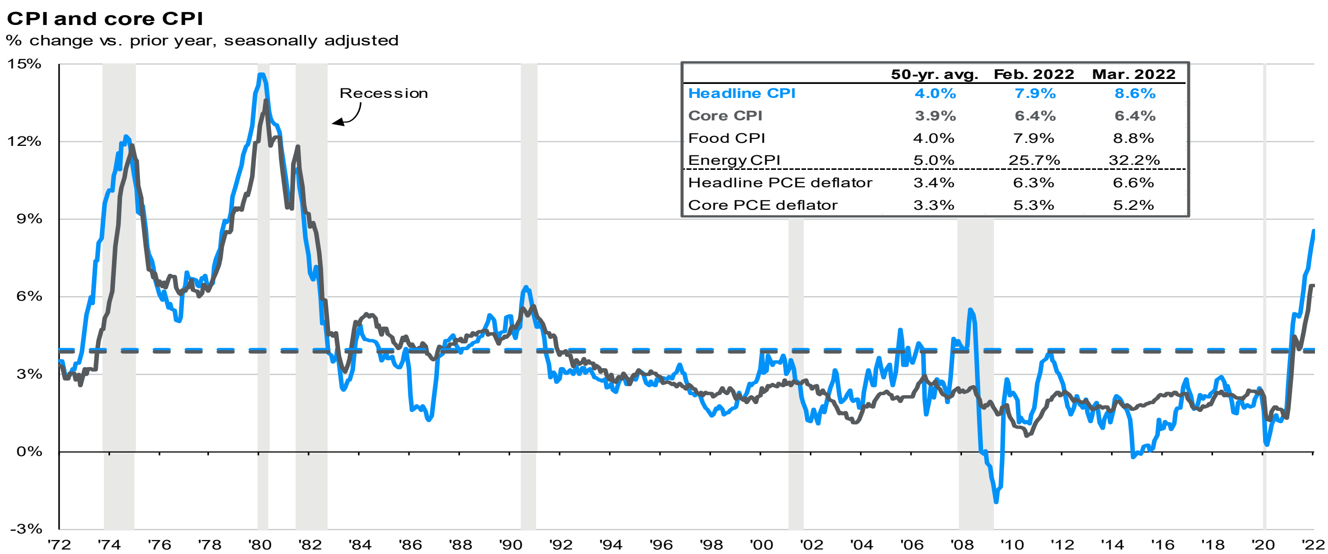
A review of exhibit 1 above shows that the median U.S. stock market decline is a mere -2.8% as the market initially reacts to the uncertainty created by these shocks. While the median decline is less than one would expect, the subsequent market recoveries are even more surprising. The median stock market returns just 3-, 6-, and 12-months after the initial decline are +2.6%, +4.7%, and +10.1%, respectively. In fact, 71% of the time the stock market is higher just 12 months after these events occur. Nobel Prize winner Daniel Kahneman once said: "The correct lesson to learn from surprises is that the world is surprising." It always has been and always will be.

While the stock market initially responds negatively to each geopolitical surprise, it has generally proven resilient and quickly recovers once the initial fears and conflicts recede. Geopolitical events, by themselves, are generally not significant enough to result in a substantial financial market downturn or collapse. However, if the geopolitical event creates a large enough macroeconomic shock that leads to a recession, it is the recession that results in substantial declines in financial markets. The Ukraine crises along with the China COVID situation certainly creates a risk of further supply chain shocks that lead us back to the same secular risks we touched on in our prior two letters: *inflation* (Third Quarter 2021 letter) and the *U.S. Federal*

Reserve (Fourth Quarter 2021 letter). The risk of an economic recession in the coming year(s) is significant and the two likely catalysts are inflation and relatedly, Federal Reserve policy (i.e., rising interest rates).

We believe we are at a pivotal moment in economic history and inflation is not the only headwind. The current macroeconomic environment can be described as the "Great Normalization" - a normalization of fiscal policy, monetary policy, interest rates, stock market valuations, and real estate prices. To quote Warren Buffet: "interest rates are to asset prices like gravity is to the apple. Interest rates power everything in the economic universe." Over the past 40 years we have seen steadily falling interest rates, inflation, and taxes supported by accommodative Fed policies and favorable demographics. Most, if not all, of those favorable tailwinds have turned into headwinds for the coming decade(s).

EXHIBIT 2: U.S. Inflation Rates, 1972 - 2022



Source: BLS, FactSet, J.P. Morgan Asset Management

Inflation has arrived, and its impact is coursing through the financial markets. Measures of inflation have steadily worsened over the past several months as can be seen in Exhibit 2 above. The March Headline CPI of 8.6% is this highest level of inflation we've seen since 1980. However, the financial markets tend to focus more on the trend than absolute level. There are several reasons to believe we may have just seen the peak level of inflation this March. The greatest impact to inflation is a rise in the prices of consumer goods where the supply/demand imbalances due to COVID-19 are greatest due to pent-up demand, excess savings, and supply chain issues. Most of these imbalances are likely to contract in the coming quarters, as the pandemic recedes, which should start reducing many of these broad inflationary pressures. Most experts expect inflation to be substantially lower by year-end relative to the levels now. We expect the worst (and highest) levels of inflation have already occurred and that inflation will gradually decline over the coming quarters.

The rapid increase and persistence of inflation has led to a hawkish shift in the Fed's monetary policy stance. Irrespective of some financial pundits that believe the Fed is "behind the curve", the Fed is determined to follow their policy framework by increasing interest rates substantially over the coming year(s) in a concerted and deliberate attempt to rein in inflation. While the Fed intends to remove accommodative policy, meaningfully and rapidly (i.e., "taking away the punch bowl" by removing money from the money supply), they will attempt to do so with the least disruptive impact to financial conditions.

The Fed initially raised interest rates (i.e., the Fed Funds rate) at the March meeting, with a 25-basis point (0.25%) increase and followed that up with a 50-basis point (0.50%) increase at the April meeting. Markets expect the Fed to raise rates 25-50 basis points at each subsequent meeting throughout 2022. The Fed has also indicated it will start shrinking its $9 trillion balance sheet of Treasury and government agency mortgage-backed securities this year. This is a form of quantitative tightening (the opposite of quantitative easing), that we covered in our Fourth Quarter letter (Fourth Quarter 2021 letter).

In post meeting comments, Fed chair Jerome Powell clearly stated that fighting inflation is the Fed's primary focus now that the labor market has reached maximum employment. "We need to get rates back up to a more neutral level as quickly as we practically can, and then move beyond neutral if it turns out to be appropriate," he said. As to the Fed's full employment mandate, Powell was surprisingly hawkish, pointing to "a very, very tight labor market; tight to an unhealthy level, I would say." The Fed's concern is that rising inflation along with a tight labor market can create a self-reinforcing inflationary wage-

Fed Chairman Jerome Powell and the Board of Governors are in a tight spot as they need to tighten policy to keep longer-term inflation expectations anchored to prevent a wage-price spiral from taking hold.

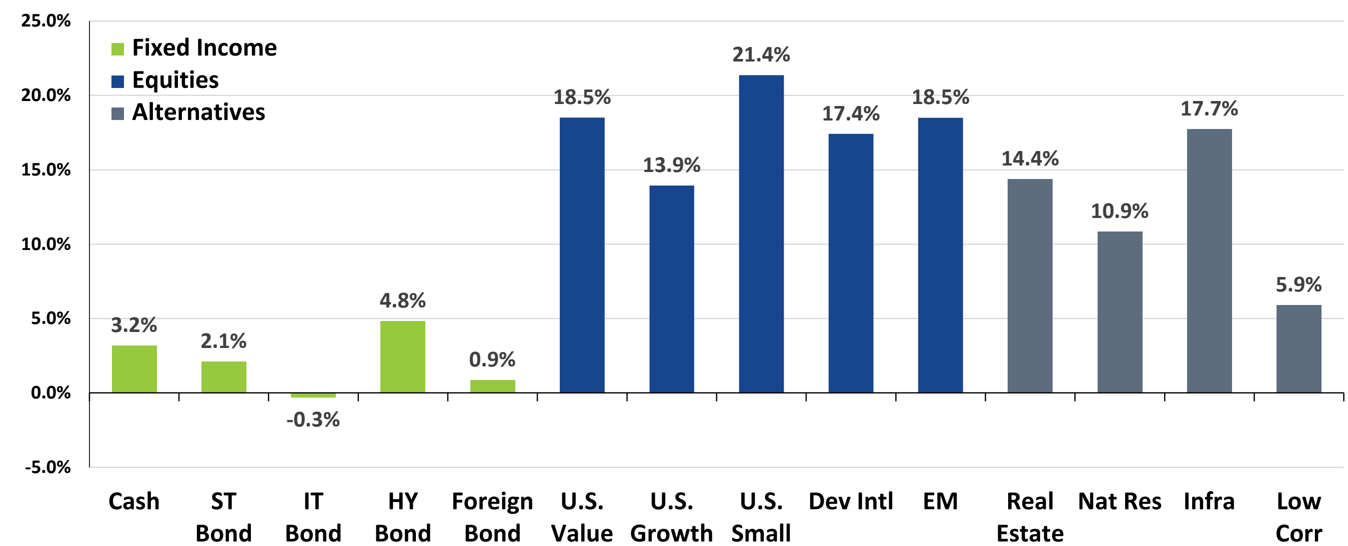
price-expectations spiral, that the Fed is determined to prevent. Wage inflation is becoming a concern, as demonstrated by Powell's "unhealthy" tight labor market comment. On the positive side, longer-term inflation expectations remain mostly anchored in a range that is consistent with the Fed's 2% long-term inflation target.

Fed Chairman Jerome Powell and the Federal Reserve Board of Governors are in a tight spot as they need to tighten policy to keep longer-term inflation expectations anchored to prevent a wage-price spiral from taking hold. If they are unable to get inflation under control, it will require even more drastic policy tightening down the road. The problem is the main drivers of inflation are exogenous supply-side disruptions due to COVID and the Ukraine war, neither of which the Fed can control. Raising interest rates meaningfully will put downward pressure on inflation but it also raises the risk of driving the economy into a recession (which may very well be the tough medicine needed to break the impact of inflation on spending power).

The Fed, in short, is attempting a "soft or soft*ish* landing". Historically, their track record of avoiding recessions is not encouraging. Of the past 11 Fed interest rate hiking cycles, 8 of them (73%) have ended in recessions. Recessions typically occur 2 years after the initial interest rate hike. Historically, stock market returns are robustly positive (91%) during the first year of the Fed hiking but then generally turn weaker in the second year, notably the second half of the year. The current challenge for stocks is they simply started the year with very elevated valuations making them vulnerable to a correction (decline >10.0%) at the first sign of trouble.

As to which asset classes have historically experienced the best and worst performance during prior rising interest rate cycles, we look to history again as a guide. The chart below (Exhibit 3) shows the historical average asset class return during prior rising interest rate cycles:

EXHIBIT 3: Average Asset Class Returns During Rising Interest Rate Cycles, 1972 - 2022



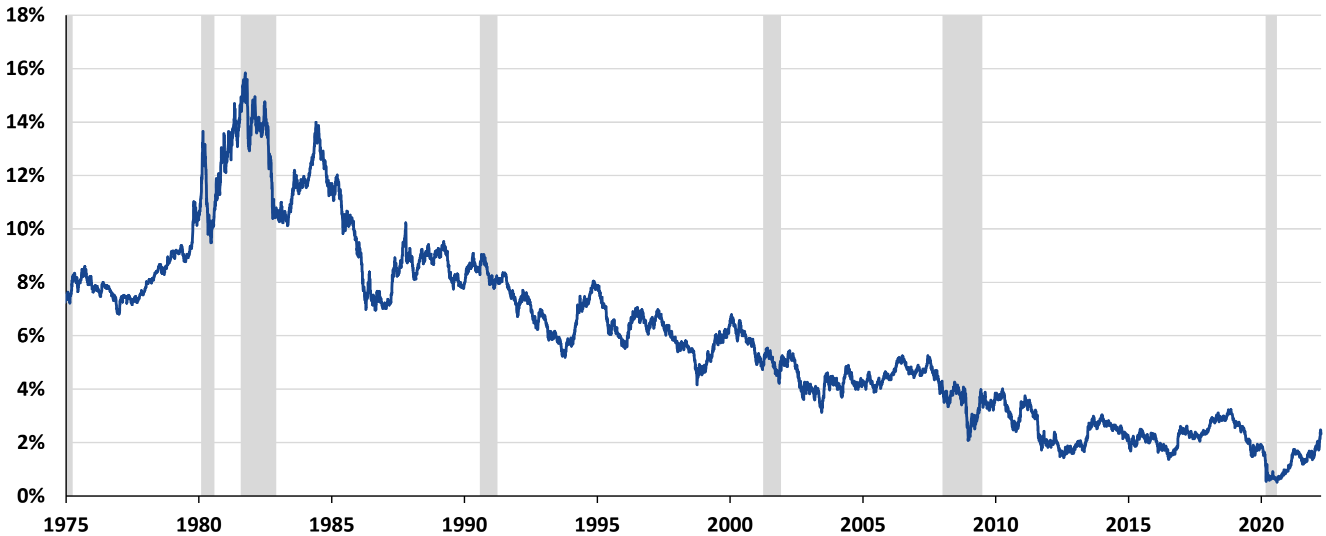
Source: Morningstar, Bloomberg, MSCI, Russell, Standard & Poor's, Dow Jones, Brookfield, Hedge Fund Research, Inc., Causey Demgen & Moore P.C.

Broadly, Equities and Alternatives have performed most favorably as (most) fixed income prices fall when interest rates increase. The exception is *floating* rate bonds whose coupons/interest rates reset, typically quarterly, as interest rates rise. Floating Rate bonds exist in the High Yield sector, which is why, within fixed income, they have historically outperformed. Last year, we added *floating* rate bonds back into client portfolios in anticipation of rising interest rates and they proved their merit in the first quarter by significantly outperforming the broader fixed income market.

We anticipate Fixed income will continue to struggle during the remainder of this rising interest rate cycle but we have equal concerns for Fixed Income's longer-term prospects as well. On August 4, 2020, when the 10-year Treasury yield fell to 0.51%, we experienced the end to the longest 40-year bull market in fixed income in history. The 10-year Treasury yield peaked in September 1981 at 16% and, outside brief periods of increases, has steadily fallen over the past 40+ years. The role of Fixed

Income in providing 1) a meaningful source of income and 2) portfolio diversification will be greatly challenged over the coming decade(s). This is arguably one of the most critical hurdles of this era to overcome in traditional balanced portfolios.

EXHIBIT 4: U.S. 10-year Treasury Yield, 1975 – 2022



Source: Board of Governors of the Federal Reserve System (US)

We see two paths forward: 1) interest rates continue to rise considerably over the coming decade as inflation remains a longer-term problem or 2) we are in a "new normal" lower interest rate environment and interest rates never go back to historical levels. Neither of these outcomes is positive for the future of fixed income returns and/or downside protection.

In scenario 1, fixed income returns remain close to zero (negative after inflation) for years until they reach much higher levels (6.0 – 8.0%) at which point future returns would be attractive. However, to get there would require several more years of zero-to-negative returns. This outcome would be most favorable for Equities and Alternatives and dire for core fixed income.

In scenario 2, fixed income returns struggle for the next year until we reach a terminal rate ceiling (4.0 – 6.0%), brought on by a recession, and interest rates then go back to near 0% levels, putting us right back where we started with very low-to-negative returns from there. This scenario is more favorable for Fixed Income in the near-term but worse in the long-term. Equities and Alternatives would do poorly leading up to the recession but outperform Fixed Income through the cycle.

Neither of these scenarios look favorable for forward-looking, long-term returns for Fixed Income. It is for that reason that we have spent the last eighteen months looking for an alternative to replace the income and downside protection that core Fixed Income markets have historically provided. We believe **Private Debt** is an asset class that can help mitigate these risks.

The term **Private Debt** refers to loans and bonds that are issued by private companies. The asset class covers a wide spectrum of debt instruments that includes direct loans made to middle market companies, which are private companies with pre-tax earnings ranging from $10 million to $100 million and are of equivalent size to those found in the small cap segment of the U.S. equity market. Private Debt also includes more niche lending such as venture debt, royalties, and litigation claims, among others. We have identified the *direct lending* segment of Private Debt as the preferred sector to add to client portfolios.

Historically, corporate direct lending was an economic function undertaken by commercial banks but the fallout of the 2008 global financial crisis, and ensuing regulatory changes, created an opportunity for asset managers representing individual investors to replace commercial banks as the primary direct lenders to middle market companies. Over the years, following the financial crisis, institutional investors have been the primary pool of capital for private debt. However, the growth of private debt over the recent years has allowed asset managers to start offering these investments to qualified and accredited investors through Registered Investment Advisors (RIAs).

One of the superior investment structures for private debt are *interval funds* that bridge the gap between the traditional mutual fund structure (which can only hold 15% of its portfolio holdings in illiquid assets) and private investment funds that have no restrictions on the amount of illiquid assets. Like mutual funds, *interval funds* allow investors to make investments daily. Like private funds, *interval funds* have no restrictions on the amount of illiquid assets. However, dissimilar to mutual funds, interval fund investors are limited to making redemptions (i.e., selling) on a quarterly basis as opposed to daily allowed by mutual funds. This semi-liquid structure makes *interval funds* an attractive structure to invest in illiquid assets while still maintaining a periodic degree of liquidity.

From an investment perspective, given the challenges we've discussed in this letter for core fixed income, Private Debt provides a reprieve and long-term solution for generating attractive income without introducing excess levels of risk into our overall investment framework. Direct loans tend to experience low levels of volatility as they are valued infrequently, typically quarterly, while still providing returns commensurate with lending to private companies. Additionally, direct loans are *floating rate* and do not suffer from the headwinds that *fixed* interest rate bonds face as interest rates rise.

During our April 2022 Investment Committee meeting, the committee agreed to strategically add up to 10% of this Private Debt asset class to our client portfolios. This change, given the allocation magnitude and quarterly (not daily) liquidity of Private Debt, will require an update to our client investment policy statements. We will be reaching out to our clients in the coming quarters to discuss these changes.

Conclusion

While the recent market volatility has been unsettling, it is not entirely surprising. Markets have done exceptionally well over the past several years and have in fact experienced above-average returns. We began the year with most markets overvalued and, as such, it was not going to take much for them to correct. Inflation, Federal Reserve actions, and conflict between Russia and Ukraine were the catalysts.

We do foresee below-average returns in the coming years due to rising interest rates (very low returns for Fixed Income) and elevated stock valuations (below average returns for Equities). Years of above-average returns are often followed by periods of below-average returns. Alternative investments, including **Private Debt**, will continue to play a critical role in client portfolios as "real assets" provide inflation-hedging protection and low correlation investments act as a ballast for the more volatile markets we expect over the coming years.

An integral aspect of our job is to remind clients that they are long-term investors and encourage them to avoid the stress and emotional whipsaw created by focusing on short-term market volatility and listening too much to the "talking heads". We are confident a well-diversified portfolio can withstand virtually any market surprise and related bout of volatility, including multiple COVID waves, inflation reaching 40-year highs, and the Federal Reserve removing historic monetary accommodation. History proves markets are unpredictable. Adding to that uncertainty are the unprecedented circumstances, challenges, and structural changes facing the global economy. Investing in the face of uncertainty requires discipline, patience, and a willingness to stand away from the herd at times. It can feel uncomfortable to stay the course, but successful investing is a marathon, not a sprint, and even intense volatility will not derail a well-planned, diversified, and focused long-term investment plan.

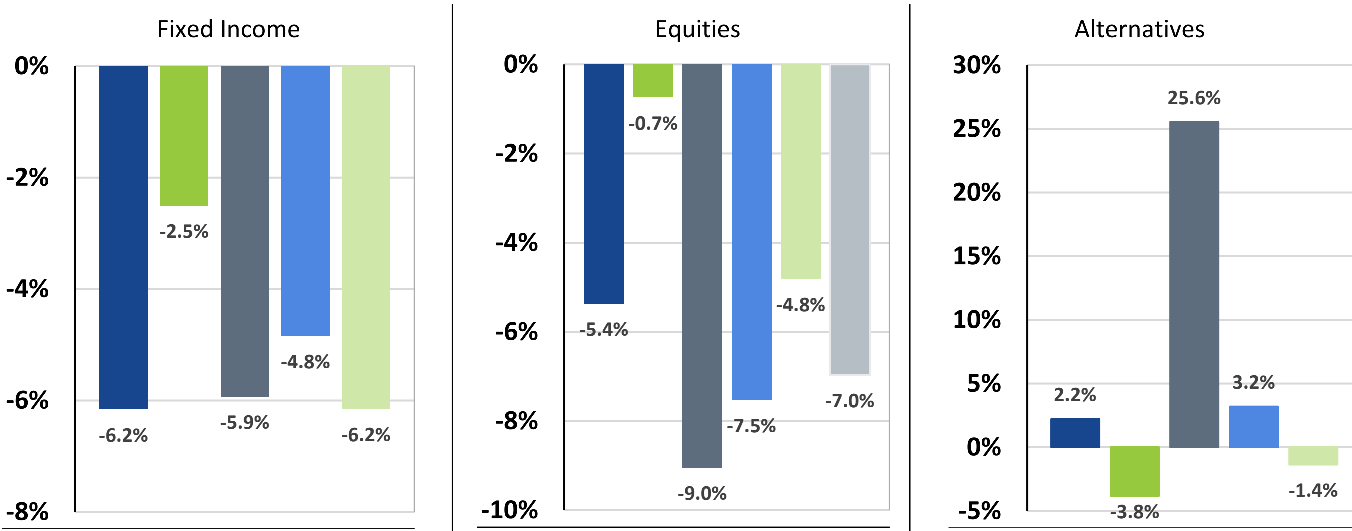
When we have conviction that market risks are significantly out of whack with our view of market fundamentals, we will tactically re-position portfolios. Otherwise, we stay the course, confident our client portfolios are diversified with substantial defensive assets to withstand short-term negative shocks while maintaining exposure to riskier assets that are the primary engines for long-term returns. We did not make any tactical changes in the first quarter as our fundamental views on asset classes remain where they stood at year-end.

We do expect interest rates to continue to rise this year as we deal with inflation fueled by the pandemic and supply chain disruption. We remain unenthusiastic about core fixed income, even longer-term, which is why we will be adding **Private Debt** to client portfolios. We remain positive on equities, even with heightened volatility, as the recent correction has improved their expected returns. In the meantime, we will monitor events closely and stay the course.

As always, we appreciate the trust you place in us and welcome any questions you may have. We believe it is important to meet with our clients regularly to address any questions about portfolio performance and longer-term investment and financial planning objectives. Please do not hesitate to contact us with any questions, comments, or to schedule a review meeting.

Cordially,
Causey Demgen & Moore Investment Committee
Robb Stone, Nathanael Koch, Stephen Warren, Paul Demgen, John Connell

EXHIBIT 5: First Quarter Asset Class Performance – Total Returns



Global Bonds	-6.2%
Short Term	-2.5%
Intermediate Term	-5.9%
High Yield	-4.8%
Foreign	-6.2%

Global Equities	-5.4%
U.S. Value	-0.7%
U.S. Growth	-9.0%
U.S. Small	-7.5%
Developed Int'l	-4.8%
Emerging Markets	-7.0%

Alternative Blend	2.2%
Real Estate	-3.8%
Nat Resources	25.6%
Infrastructure	3.2%
Low Correlation	-1.4%

Fixed Income

The Federal Reserve introduced the first interest rate hike since the onset of the COVID-19 pandemic during its March 2022 meeting in what's widely believed to be the first move in a series of policy adjustments to normalize the interest rate and the inflation environment. While the Fed hiked rates by just 0.25%, the forward guidance provided by the Fed introduced a frenzy in bond markets as the 5-year and 10-year treasury yields both surged more than 0.75% in a matter of weeks. As a result, Global Bonds fell -6.2% during the quarter. Short Term and Intermediate Term bonds fell by -2.5% and -5.9%, respectively. High Yield bonds fared slightly better, falling -4.8%. Foreign bonds, experiencing their own regional volatility, fell -6.2%.

Equities

Global equities experienced a correction in the first quarter after falling -13.3% through early March before rallying and ending the quarter down -5.4%. U.S. Growth briefly entered bear market territory by falling more than -20% during the quarter, before recovering back to correction territory and finishing down -9.0% in the quarter. U.S. Value stocks weathered the storm by falling just -6.0% and ending the quarter down less than -1%. U.S. Small cap stocks lagged their larger counterparts due to concerns of a slowing economy and finished down -7.5%. Internationally, developed markets fell -4.8% and emerging markets fell -7.0%, reflecting the continued uncertainty surrounding COVID lockdowns and geopolitical turmoil in Europe.

Alternatives

With both equities and fixed income falling in tandem during the first quarter, alternative assets played the role of diversifier and posted positive returns overall. Although Real Estate fell by -3.8% and Low Correlation declined -1.4%, they both produced outperformance relative to both fixed income and equities. Natural Resources and Infrastructure posted positive returns, +25.6% and +3.2%, respectively, with Natural Resources capturing the tailwind of rising energy and food prices.

EXHIBIT 6: Causey Tactical Asset Allocation Outlook and Positioning

Please find below our Tactical Asset Allocation outlook as of March 31, 2022. The Investment Committee made no changes from its December 31, 2021 tactical asset allocation positioning during our most recent April 2022 meeting.

The Prior Outlook (green diamonds) represents our tactical portfolio positioning as of March 31, 2021.

Looking out over a three-to-five-year tactical horizon, the major risks we see are elevated U.S. stock valuations, in particular U.S. growth stocks, persistently high inflation, rising interest rates, and growing risk of a recession.

	Underweight					Overweight			
	- - - -	- - -	- -	-	Strategic	+	+ +	+ + +	+ + + +
OVERALL POSITION									
Cash	●								
Fixed Income	●								
Equities						●			
Alternatives						◆	●		
FIXED INCOME									
Short Bond	●		◆						
Intermediate Bond	●								
High Yield Bond						●			
Foreign Bond				●					
EQUITIES									
US Value					◆	●			
US Growth	●		◆						
US Small Cap									●
Developed Int'l						●			
Emerging Markets							●		
ALTERNATIVES									
Real Estate				●					
Natural Resources									●
Infrastructure									●
Low Correlation							◆		●

Current Outlook	●
Prior Outlook	◆

Underweight:

- **Short- and Intermediate-term Fixed Income** due to our outlook and concern for rising interest rates.
- **U.S. Growth stocks** due to their very high valuations (i.e. expensive).

Overweight:

- ***Floating* Rate bonds (within High Yield)** as their interest rates/coupons reset monthly or quarterly and therefore are less negatively impacted by rising interest rates.
- **U.S. Small-caps** as they offer very compelling valuations (i.e., cheap – particularly small cap value) relative to U.S. growth stocks.
- **Emerging Markets** as they look incredibly cheap relative to U.S. stocks broadly.
- **Natural Resources** and **Infrastructure** as *inflation-hedges* to mitigate the impact of rising/persistent inflation.
- **Low Correlation strategies** to offset underweight in fixed income as their *absolute-return* mandates should do well regardless of how Fixed Income (rising interest rates) or Equities (expensive valuations) perform.